EXHIBIT A

INTERACTIVE GIFT EXPRESS, INC., Plaintiff, v. COMPUSERVE INC., et al., Defendants.

95 Civ. 6871 (BSJ)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

1998 U.S. Dist. LEXIS 7081; 47 U.S.P.Q.2D (BNA) 1797

May 13, 1998, Decided

May 15, 1998, Filed

DISPOSITION:
[*1] Construction of the Freeny patent's claims adopted.

COUNSEL:
For INTERACTIVE GIFT EXPRESS, INC., plaintiff: David Fink, Law Offices of David Fink, Houston, TX.

For COMPUSERVE INCORPORATED, defendant: Thomas V. Heyman, Jones, Day, Reavis & Pogue, New York, NY.

For COMPUSERVE INCORPORATED, defendant: Jeffrey S. Standley, Standley & Gilcrest, Dublin, OH.

For APOGEE SOFTWARE LIMITED, defendant: Jeffrey S. Standley, Kramer & Minsky, New York, NY.

For INTERNET SOFTWARE INC., defendant: Walter E. Hanley, Kenyon & Kenyon, New York, NY USA.

For INTUIT INC., defendant: Claude Stern.

For SOFTLOCK SERVICES, INC., defendant: Carl Oppedahl, Oppedahl & Larson, Yorktown Heights, NY.

For TELEBASE SYSTEMS, INC., defendant: Griffith DeNoyelles, Chernofsky & DeNoyelles, Esqs., New York, NY.

For THE LIBRARY CORPORATION, defendant: Raymond J. Soffientini, Battle Fowler, LLP, New York, NY.

For WALDENBOOKS, defendant: Thomas G. Carulli, Cooper & Dunham LLP, New York, NY.

For ZIFF-DAVIS PUBLISHING COMPANY, defendant: Randy Lipsitz, Brown Raysman & Millstein LLP, New York, NY USA.

For THE LIBRARY CORPORATION, counter-claimant: Raymond J. Soffientini, Battle Fowler, LLP, New York, NY.

For WALDENBOOKS, counter-claimant: Thomas G. Carulli, Cooper & Dunham LLP, New York, NY.

For INTERNET SOFTWARE INC., counter-claimant: Walter E. Hanley, Kenyon & Kenyon, New York, NY USA.

For COMPUSERVE INCORPORATED, counter-claimant: Jeffrey S. Standley, Standley & Gilcrest, Dublin, OH.

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For INTERACTIVE GIFT EXPRESS, INC., counter-defendant: David Fink, Law Offices of David Fink, Houston, TX.

JUDGES:
BARBARA S. JONES, UNITED STATES DISTRICT JUDGE.

OPINIONBY:
BARBARA S. JONES

OPINION:

OPINION & ORDER

BARBARA S. JONES
UNITED STATES DISTRICT JUDGE

Plaintiff Interactive Gift Express, Inc. ("IGE") n1 maintains that defendants, comprised of computer software companies, publishing companies, and a retail bookstore, have contributorily infringed and induced infringement of U.S. Patent No. *4,528,643* (the "Freeny patent"). The Freeny patent describes a method or apparatus for reproducing information in a material object at a point of sale location. With respect to the computer software and publishing company defendants, plaintiff contends that they are infringing the Freeny patent by selling software or documents "online," that is, over the Internet and World Wide Web. n2 Regarding the retail bookstore defendant, Walden Book Company, Inc. ("Waldenbooks"), plaintiff maintains that Waldenbooks is infringing the Freeny patent by selling a book that includes a CD-ROM containing encrypted computer applications, access to which is not possible until the consumer retrieves a password.

n1 Since filing this lawsuit, plaintiff has changed its corporate name to E-Data. [*2]

n2 Although plaintiff also alleges in its Complaint that defendants have directly infringed the Freeny patent, plaintiff, in its Revised Claim Construction Report of November 12, 1996, concedes that none of the defendants are direct infringers.

On June 25, 1996, the Court limited discovery to claim construction matters and ordered plaintiff to serve its claim construction report on defendants by August 26, 1996. On October 7, 1996, the Court ordered plaintiff to serve a revised claim construction report ("Report") on defendants by November 8, 1996, the contents of which would be binding on plaintiff. By order dated December 20, 1996, the Court set a claim construction briefing schedule that was subsequently modified by order dated April 11, 1997.

Having reviewed plaintiff's binding Report of November 12, 1996, and the parties' claim construction briefs, the Court renders the following conclusions of law interpreting Claim 1 of the Freeny patent. n3

n3 The Court notes at the outset that no Markman hearing is needed in this case because the Court does not require expert or other testimony to aid it in its claim construction.

[*3]

BACKGROUND

The Freeny patent, entitled "SYSTEM FOR REPRODUCING INFORMATION IN MATERIAL OBJECTS AT A POINT OF SALE LOCATION," issued to Charles C. Freeny, Jr. on July 9, 1985, from U.S. Patent Application No. 456,730, filed January 10, 1983. On December 28, 1994, all rights of the Freeny patent were assigned to IGE, and IGE continues to be the sole owner of all rights of the Freeny patent by virtue of this assignment. The Freeny patent identifies, and claims that the Freeny invention solves, the problems associated with the traditional method of manufacturing, distributing, and selling various information sych as audio recordings, motion pictures, books, software, greeting cards, or other information that is capable of being electronically reproduced.

1. The Traditional Manufacturing and Distribution System

According to the Freeny patent, the problem with the preexisting system for manufacturing and distributing information-embodying material objects is threefold. The first problem pertains to the substantial manufacturing and distribution costs incurred by information owners. Information owners traditionally embody this information in some material object (e.g., [*4] cassette tape, video tape, floppy disk, etc.) to be distributed to various retail outlets (or point of sale locations) for sale to consumers. Because this process requires both manufacturing facilities to reproduce this information in material objects and a network for distributing the information-embodying material objects to various point of sale locations, information owners incur substantial costs that are ultimately passed on to the consumers of the material objects.

The second problem with the preexisting system as described by the Freeny patent concerns the compensation of these information owners. According to the Freeny patent, information owners employing this traditional system for manufacturing and distributing material objects may encounter compensation problems when attempting to collect payments from retail outlets for purchases of material objects or when the information embodied in these material objects is illegally reproduced.

The third problem with the traditional system according to the Freeny patent involves the inventory-related decisions that retailers face with respect to these material objects. That is, retailers initially must determine

which information-embodying [*5] material objects should be stocked, and then must decide the configuration of such information (e.g., compact disc or cassette tape) and the quantity of each such configuration. As with the manufacturing and distribution costs incurred by information owners, these retail costs are passed on to consumers of the material objects. Accordingly, the Freeny patent concludes that because of these economic considerations it is not practical for retailers to maintain a complete inventory of the information-embodying material objects, which, resultantly, leads to lost sales when consumers want to purchase particular information-embodying material objects that have not been stocked by the retailer.

II. The Freeny Invention

According to the Freeny patent, the Freeny invention solves these problems associated with the traditional means for manufacturing and distributing information-embodying material objects by creating a more direct link between information owners and consumers. The Freeny patent describes a method or system for manufacturing information-embodying material objects using a multitude of point of sale machines that are in electronic communication with a common host machine. [*6] The Freeny patent refers to these point of sale machines as Information Manufacturing Machines ("IMMs") and to the host machine as the Information Control Machine ("ICM"). Each IMM is located at a point of sale location--"a location where a consumer goes to purchase material objects embodying predetermined or preselected information"--and each point of sale location is located remotely with respect to the system's other point of sale locations. Freeny Patent Col. 5 Lns. 47-50. "The [ICM] is located at a remote location with respect to each of the point of sale locations and with respect to the [IMMs]." Id. Col. 5 Lns. 35-39. As for "material object," the Freeny patent defines this term as "a medium or device in which information can be embodied or fixed and from which the information embodied therein can be perceived, reproduced, used or otherwise communicated, either directly or with the aid of another machine or device." Id. Col. 4 Lns. 36-41. Examples of material objects identified in the Freeny patent are floppy disks, cassette tapes, phonograph records, 8-track tapes, reel-to-reel tapes, video discs, hand-held calculators, hand-held electronic games, greeting cards, [*7] maps, and sheet music. See id. Col. 4 Lns. 41-55.

As for the mechanics of the Freeny invention, initially information is inputted into, encoded by, and stored within the ICM. This encoded information is then transferred to the IMMs via a communication link and stored within each IMM. n4 At this stage, the IMM is now ready to support consumer transactions. A consumer using the IMM examines the assortment of information stored in that particular IMM and selects a catalog code corresponding to the information the consumer wants the IMM to reproduce. After this selection is made, but before the IMM begins reproducing the requested information-embodying material object, the IMM transmits a "request reproduction code" to the ICM thereby requesting permission to reproduce the information selected by the consumer onto a material object. The request reproduction code includes the catalog code, an IMM code identifying the requesting IMM, and may also contain other information such as credit card data for sale approval purposes. Freeny Patent Col. 9 Lns. 48-50, Col. 13 Lns. 25-31.

n4 Whether the information must be stored in the IMM is a point of contention between the parties that the Court resolves infra.

[*8]

The ICM receives the request reproduction code and determines whether to authorize reproduction of the information-embodying material object by the IMM. Should the ICM choose to permit such reproduction, it transmits an authorization code to the IMM. The authorization code includes an IMM code, encoded catalog code, encoded catalog decipher program, and an encoded authorization select code. The encoded catalog code instructs the IMM which information it should decode and reproduce, the encoded catalog decipher program instructs the IMM how to decode this information, and the encoded authorization select code identifies the authorization decipher programs stored in each IMM. "In response to receiving the authorization code, the IMM dccodes the preselected information stored in the [IMM]" and then reproduces it onto a material object, after which the material object can be removed from the IMM by the consumer. Id. Col. 6 Lns. 7-10.

For the sake of clarity, here is an example of how the Freeny invention would work in the context of musical recordings. Various musical recordings by various artists would be inputted and stored within the ICM in an encoded format. These recordings [*9] would then be transferred for storage in encoded format in selected IMMs, enabling the IMMs to support consumer transactions. A consumer using the IMM would enter the catalog code corresponding to the musical selection he or she wished to purchase, in this example, Sgt. Pepper's Lonely Hearts Club Band ("Sgt.

Pepper's") by The Beatles. n5 The IMM now transmits a request reproduction code to the ICM, including the catalog code identifying Sgt. Pepper's, an. IMM code identifying the particular IMM being used by the consumer, and possibly the consumer's credit card number for sale approval. If the ICM approves the transaction, it transmits an authorization code to the IMM enabling the IMM, among other things, to decode Sgt. Pepper's into a useable format. The IMM would then reproduce Sgt. Pepper's onto a material object such as a cassette tape or compact disc, after which the consumer could remove his or her copy of Sgt. Pepper's from the IMM.

n5 Although in this example the consumer is purchasing an entire album by one artist, presumably the Freeny invention, assuming the existence of proper licensing and other agreements with information owners, would permit consumers to select numerous songs from different albums by various artists for reproduction onto a single material object.

[*10]

In sum, the Freeny patent states that the Freeny invention ensures that information owners will be compensated in connection with the reproduction of information, "solves the problems associated with manufacturing, inventory, configuration distribution and collection[,] ... and permits sale of material objects embodying information in a more efficient, economical and profitable manner." Id. Col. 4 l.ns. 8-18.

III. IGE's Infringement Claims

Plaintiff contends that all personal computers are IMMs within the meaning of the Freeny patent when used to download and reproduce information for a price. Plaintiff further asserts that wherever a computer is located constitutes a point of sale location pursuant to the Freeny patent whenever information is downloaded and then reproduced at that location, for a price, in a material object such as a floppy disk, hard drive, tape, or paper. Accordingly, plaintiff argues that defendants, by offering computer software and documents for sale via the Internet and World Wide Web are contributorily infringing and inducing infringement of the Freeny patent. Plaintiff also contends that defendant Waldenbooks is contributorily infringing [*11] and inducing infringement of the Freeny patent by selling a book that includes a CD-ROM containing encrypted computer applications, access to which is not possible until the consumer retrieves a password.

IV. Claim 1 of the Freeny Patent

The Freeny patent includes 57 claims, three of which--claims 1, 29, and 37--are independent. Claims 1 and 29 are method claims and claim 37 is a system or apparatus claim. As indicated in plaintiff's Report, however, there is no distinction between the interpretation of these three independent claims. n6 Therefore, because claim 1 is the broadest of the independent claims, the Court limits its claim construction analysis to claim 1, but notes that its analysis is equally applicable to claims 29 and 37.

n6 That there is no distinction between claims 1, 29, and 37 for claim construction purposes is evidenced by the fact that, in its Report, plaintiff provides a detailed interpretation of claim 1, and then when construing claims 29 and 37 simply states "See Claim 1."

[*12]

Claim 1 of the Freeny patent provides:

A method for reproducing information in material objects utilizing information manufacturing machines located at point of sale locations, comprising the steps of:

providing from a source remotely located with respect to the information manufacturing machine the information to be reproduced to the information manufacturing machine, each information being uniquely identified by a catalog code;

providing a request reproduction code including a catalog code uniquely identifying the information to be reproduced to the information manufacturing machine requesting to reproduce certain information identified by the catalog code in a material object;

providing an authorization code at the information manufacturing machine authorizing the reproduction of the information identified by the catalog code included in the request reproduction codes; and

receiving the request reproduction code and the authorization code at the information manufacturing machine and reproducing in a material object the information identified by the catalog code included in the

request reproduction code in response to the authorization code authorizing [*13] such reproduction.

The parties dispute (1) whether claim 1 covers the real-time downloading of information or is limited to predetermined or preselected information, (2) whether claim 1 applies to CD-ROMs containing encrypted information that requires a password to decode, and (3) what the terms "authorization code," "point of sale locations," "material object," and "information manufacturing machine," as used in Claim 1, mean.

DISCUSSION

Claim construction is a matter of law for the Court to determine. See *Markman v. Westview Instruments, Inc., 52 F.3d 967, 970-71 (Fed. Cir. 1995)* (en banc), aff'd, *517 U.S. 370, 134 L. Ed. 2d 577, 116 S. Ct. 1384 (1996)*. To ascertain the meaning of a patent's claims, the Court first looks to the intrinsic evidence of record, that is, the patent itself, including the claims, the specification, and, if in evidence, the prosecution history, including prior art cited therein. See *Vitronics Corp. v. Conceptronic, Inc., 90 F.3d 1576, 1582-83 (Fed. Cir. 1996)*. Ordinarily, analysis of the intrinsic evidence will resolve any ambiguities in the claims, terms. See *id. at 1583*. The terms of a claim are generally given their ordinary [*14] meaning, unless it appears that the patentee chose to state clearly in the specification or file history a special definition. See *id. at 1582*.

First, the Court looks to the words of the claim, both asserted and nonasserted, to define the scope of the patented invention. See id. A technical term used in a patent claim is construed as having the meaning that it would be given by persons of ordinary skill in the art, unless it is apparent from the patent and prosecution history that the patentee used the term with a different meaning. See *Hoechst Celanese Corp. v. BP Chemicals Ltd., 78 F.3d 1575, 1578* (Fed. Cir.), cert. denied, *519 U.S. 911, 136 L. Ed. 2d 198, 117 S. Ct. 275 (1996)*.

Second, the Court reviews the patent specification "to determine whether the inventor has used any terms in a manner inconsistent with their ordinary meaning." *Vitronics, 90 F.3d at 1582*. "The specification acts as a dictionary when it expressly defines terms used in the claims or when it defines terms by implication." Id. "Thus, the specification is always highly relevant to the claim construction analysis," and usually "is the single best guide to the meaning of a disputed term." Id.

Third, [*15] the Court reviews the prosecution history, if in evidence, to help it construe the meaning of the claims. "This history contains the complete record of all the proceedings before the Patent and Trademark office, including any express representations made by the applicant regarding the scope of the claims." Id. The prosecution history, however, cannot enlarge, diminish, or vary the limitations in the claims. See *Markman, 52 F.3d at 980*.

Extrinsic evidence, on the other hand, "consists of all evidence external to the patent and prosecution history, including expert and inventor testimony, dictionaries, and learned treatises." Id. "This evidence may be helpful to explain scientific principles, the meaning of technical terms, and terms of art that appear in the patent and prosecution history." Id. "Extrinsic evidence may demonstrate the state of the prior art at the time of the invention." Id. Representations made to foreign patent offices in counterpart foreign applications may also assist in determining how a person skilled in the art would interpret claim language. See *Caterpillar Tractor Co. v. Berco, S.P.A., 714 F.2d 1110, 1116 (Fed. Cir. 1983)*. Extrinsic [*16] evidence, cannot, however, vary the meaning of a claim that is established either by the claim itself or by the claim as correctly understood by reference to the specification and the file history. See *Vitronics, 90 F.3d at 1584*. Moreover, if the claims and specifications are unambiguous or if an analysis of the intrinsic evidence alone resolves any ambiguities in disputed claim terms, it is improper to rely on extrinsic evidence. See *id. at 1583*.

Finally, although the Court, if possible, is to construe claims so as to sustain their validity, including construing claims in a way that avoids reading on prior art, it is improper for the Court to redraft claims. See *Harris Corp. v. IXYS Corp., 114 F.3d 1149, 1153 (Fed. Cir. 1997); ACS Hosp. Sys., Inc. v. Montefiore Hosp., 732 F.2d 1572, 1577 (Fed. Cir. 1984)*.

With these principles in mind, the Court now turns to construing claim 1.

1. Timing of Information Delivery

Whereas plaintiff argues that the Freeny patent covers the real-time downloading of information to the IMMs in addition to the predelivery of information to the IMMs, defendants contend that claim 1 should be limited to the predelivery of information. [*17] Real-time downloading means that the requested information is not stored within an IMM but rather is transmitted to the IMM promptly after the consumer requests the item. Predelivered--predetermined or preselected per the Freeny patent--means that the information is stored within the IMM and the user of the IMM merely selects the requested information from a predetermined or preselected collection. Based on the

claim language and the Freeny patent specification, the Court construes claim 1 to apply only to the predelivery of information to the IMMs. That is, before an IMM would be capable of supporting a consumer transaction, the information must already be stored within the IMM.

A. Claim Language

As indicated by claim 1, the Freeny method for reproducing information in material objects involves four "steps." And although claim 1 does not explicitly state that these steps must be carried out in the order as listed, the Court concludes that, at a minimum, the step listed first in claim 1 must occur before the step listed fourth because any other interpretation would render the Freeny invention unworkable.

As listed in claim 1, the steps describe, respectively, an information **[*18]** delivery stage, request reproduction code stage, authorization code stage, and a reproduction of information in a material object stage. The first of the listed steps indicates that the information to be reproduced by the IMM must be provided to the IMM from a remote source and that such information is uniquely identified by a catalog code. In other words, this step calls for the predelivery of information to the IMM for storage within the IMM. Following the language of claim 1, it would be impossible for an IMM to reproduce the information-embodying material object if the information to be reproduced was not already stored within the IMM because step four does not provide for the transmission from the ICM to the IMM of the information sought to be reproduced. Step four only describes the IMM's receipt of "the request reproduction code" and "the authorization code," after which the IMM "reproduces in a material object the information ... in response to the authorization code authorizing such reproduction." If claim 1 was intended to include the real-time downloading of information to the IMM, then in addition to providing for the IMM's receipt of the request reproduction code and **[*19]** authorization code, step four also would call for the IMM's receipt of the information to be reproduced. Alternatively, if it was intended for the patent to cover the real-time downloading of information, the patent could have defined the term "authorization code" such that it included the requested information as part of that code. n7 Nowhere in the patent, however, is the term "authorization code" defined in this manner.

n7 The Court further notes that claims 29 and 37 also support this reading and that claim 37, in fact, explicitly states that the information received from the ICM is "stored" in the IMM.

B. The Specification

In addition to the very language of claim 1, the Freeny patent specification abundantly supports defendants' position that the Freeny patent does not apply to the real-time downloading of information. It is indicated throughout the patent specification that the IMMs "store" the information rather than receive the information for the first time when a consumer interacts with the IMM. **[*20]** For example, the patent states:

In general, information is inputted into the information control machine, via the input line and the inputted information is encoded and stored in the information control machine. The encoded information stored in the information control machines is communicated to the information manufacturing machine via the communication link or the communication link and the received encoded information is stored in each of the information manufacturing machines.

Freeny Patent, Col. 5 Lns. 51-59. It also states that "in response to receiving the authorization code, the information manufacturing machine decodes the preselected information stored in the information manufacturing machine and provides the decoded information on the output line." Id. Col. 6 Lns. 7-11. These are but two examples.

Moreover, the specification explains that the IMMs are in fact constructed to store the collection of encoded information in a permanent storage unit called the "master file unit." "Each information manufacturing machine is constructed to receive encoded information ... and store received encoded information." Id. Col. 5 Lns. 21-24. In turn, the "encoded **[*21]** information along with the corresponding catalog codes are communicated to the information manufacturing machine identified by the IMM code via the communication link for storage in the master file unit of the information manufacturing machine." Id. Col. 12 Lns. 8-13.

The master file unit is constructed to function as a permanent storage unit. The master file unit is constructed and adapted to receive encoded information along with the catalog codes uniquely identifying the encoded information over the communication link. In one other mode, the master file unit receives encoded information and the catalog codes on a signal path. The master file unit stores the received encoded information and the catalog codes.

Id. Col. 9 Lns. 39-47. Therefore, as explained by the specification, the first step of claim 1, wherein information is provided to the IMMs, is performed so that the collection of encoded information can be stored at each IMM.

This encoded information, as stored in the IMM, is referred to throughout the specification as "preselected" or "predetermined" information. Clearly, these terms refer to the process whereby the information owner selects which [*22] information should be inputted into the ICM and then transmitted to the IMMs for storage. The information is therefore "preselected" or "predetermined" because the information to be transmitted to and stored in the IMMs is selected or determined before the consumer uses the IMM.

Finally, the patent specification teaches away from the real-time downloading of information. The patent states that in "one embodiment" the ICM could be programmed to support the real-time delivery of information to the IMMs. Id. Col. 24 Lns. 33-58. In such an embodiment "the information manufacturing machines would not have any encoded information stored therein and could only function to reproduce information in material objects in response to receiving an authorization code which would include the encoded information." Id. Col. 24 Lns. 41-46. After presenting this scenario, however, the specification labels the real-time method of delivery economically unsound, from both a time and money standpoint, and limits any such proposed use to updating the encoded information previously transmitted to and stored in the IMMs. See id. Col. 24 Lns. 46-53.

In addition to teaching away from using a real-time [*23] delivery method, this portion of the patent specification also supports the Court's interpretation that in order for the Freeny invention to work at all, claim 1, as written, requires some sequence to the steps, and that, at a minimum, step one must precede step four. Specifically, the information must be transferred to and stored in the IMM before the IMM is capable of supporting consumer transactions because step four describes the IMM's receipt of only request reproduction codes and authorization codes and says nothing about the IMM's receipt of the information to be reproduced. If claim 1 was intended to include the real-time downloading of information to the IMM, then the patent would explicitly state, as it does when discouraging the use of real-time delivery, that the authorization code would have to include the encoded information in order for the Freeny invention to support real-time delivery. See id. Col. 24 Lns. 41-46. Nowhere in the patent is the authorization code defined to include the information to be reproduced as part of that code.

Accordingly, based on the language of claim 1 and the Freeny patent specification, the Court construes claim 1 to apply only to the [*24] predelivery of information to the IMMs.

II. Authorization Code

Plaintiff and defendants also dispute the meaning of the term "authorization code." In its Report, plaintiff asserts that the authorization code "enables the information manufacturing machine (the consumers [sic] computer system) to reproduce the electronic data in a material object." Report, Ex. D. Plaintiff also states that a consumer's Internet Protocol (IP) address constitutes an authorization code. Defendants dispute both of these definitions and argue that the "authorization code should be construed to mean an electronic signal that instructs the requesting computer how to reproduce an encoded item of information." Defendant CompuServe's Brief on Claim Interpretation at 39.

A. IP Address as Authorization Code

The Court agrees with defendants that a hardware address such as an IP address as used on the Internet does not constitute an "authorization code" as that term is used in the Freeny patent. "The Internet Protocol (IP) provides for the delivery of data through a set of interconnected packet-switched networks (an internetwork or internet). IP transmits and routes datagrams from sources to destinations [*25] based on a fixed-length address." Chris Shipley & Matt Fish, How the World Wide Web Works 153 (1996) (cited in Plaintiff's Report, Ex. C).

As plaintiff's source indicates, a hardware address such as IP is simply a routing mechanism. Accordingly, in the context of the Freeny invention, it is the IMM code, and not the authorization code, that corresponds to an IP address. As indicated in the Freeny patent specification, the IMM code "uniquely identifies one particular information manufacturing machine." Freeny Patent, Col. 7 Lns. 51-53; see also id. Col. 14 Lns. 22-25 ("The IMM code provides a means for the information manufacturing machine to determine if a particular message is intended to be received by that particular information manufacturing machine."). And although the IMM code is a component of both the authorization code and request reproduction code, it is a distinct code that serves only to route information from the ICM to the IMM. Furthermore, the Court notes that if the authorization code and IMM code were one in the same, then the term "authorization code" would be defined the same as the IMM code, and there would be no need to have two separate codes. Accordingly, [*26] an IP address does not correspond to an "authorization code" as that term is used in the Freeny patent.

B. Authorization Code as Enabling Reproduction

Defendants also dispute plaintiff's interpretation of authorization code as "enabling" the IMM's reproduction of the information-embodying material object. To the extent that plaintiff uses the term "enables" as a synonym for "authorizes," the Court agrees with plaintiff's interpretation. n8 That is, the purpose of the authorization code is to "authorize" reproduction of the information-embodying material object. This, however, does not amount to a definition. For although it explains what the authorization code does, it does not explain precisely how it does it.

n8 Presumably defendants would also agree with this interpretation as they recognize that the patent explicitly states that the purpose of the authorization code is to "authorize" the reproduction of the information-embodying material object. See, e.g., Defendant CompuServe's Brief on Claim Interpretation at 35.

[*27]

As stated previously the authorization code is comprised of several other codes, including an IMM code, encoded catalog code, encoded catalog decipher program, and an encoded catalog authorization select code. See, e.g., Freeny Patent, Col. 9 Lns. 58-61. The encoded catalog code instructs the IMM which information it should decode and reproduce, the encoded catalog decipher program instructs the IMM how to decode this information, and the encoded authorization select code identifies the authorization decipher programs stored in each IMM. The manufacturing control unit located within each IMM "is constructed and adapted to decipher or decode a received encoded catalog code, encoded catalog decipher program and encoded authorization select code." Id. Col. 9 Lns. 62-65. "In response to receiving the authorization code, the IMM decodes the preselected information stored in the [IMM]" and then reproduces it onto a material object, after which the material object can be removed from the IMM by the consumer. Id. Col. 6 Lns. 7-10.

Clearly, the encoded catalog decipher program is the seminal component of the authorization code. Without it, the IMM would be unable to convert [*28] the information from its encoded, unusable format to its decoded, usable format. Therefore, the Court concludes that the encoded catalog decipher program is the true "authorizing" mechanism of the Freeny invention. Accordingly, the term "authorization code" as used throughout the Freeny patent, must, at a minimum, include a code that enables the IMM to decode or decipher the information stored in encoded format at the IMM that the IMM is to reproduce in a material object.

III. Point of Sale Location

The parties also present different interpretations of the term "point of sale location" as used throughout the Freeny patent. In its Report, plaintiff defines point of sale location as the "place at which the consumer or purchaser makes the purchase." Report, Ex. D. Accordingly, because plaintiff contends that any personal computer can constitute an IMM within the meaning of the patent, under plaintiff's definition of point of sale location, anyplace where a personal computer is located constitutes a point of sale location when that computer is used to reproduce information in a material object for a price. Defendants, on the other hand, argue that a "point of sale location" [*29] is a location, such as a retail outlet, where consumers can go to purchase information-embodying material objects.

Again, defendants, interpretation is entirely correct. The Freeny patent makes it abundantly clear that a point of sale location is a location such as a retail outlet. When first used in the text of the specification, the term "point of sale location" explicitly refers to "retail outlets." Freeny Patent, Col. 1 Lns. 17-18. The specification then continues to refer to a point of sale location as a "retail outlet" or "retailer," see, e.g., id. Col. 1 Lns 37-38; Col. 2 Ln. 13; Col. 2 Ln. 63; Col. 2 Ln. 67, and defines "retailers" as "owners of point of sale locations." Id. Col. 3 Lns. 41-42. Later, the specification indicates that "the point of sale location is a location where a consumer goes to purchase material objects embodying predetermined or preselected information." Freeny Patent, Col. 5 Lns. 47-50. Clearly, this language, and particularly the word "goes," indicates that a point of sale location is a place, such as a retail outlet, to which a consumer travels in order to purchase material objects embodying preselected information.

Moreover, a point of sale [*30] location must be a location at which blank material objects are available for sale to consumers. There is no indication in the patent that the material objects on which the IMM is to reproduce information are stored in the IMM. Rather, the patent indicates that blank material objects are sold to consumers, separate and apart from the IMM, at the point of sale location. As the Freeny patent indicates, "each point of sale location has at least one information manufacturing machine, at least one reproduction unit and a plurality of blank material objects." Id. Col. 12 Lns. 66-68. The patent further indicates that the owners of point of sale locations

are the ones that sell to consumers the blank material objects that are to be used with the IMM, such as 8-track or cassette tapes, and that this sales transaction is separate from any sale that results from the IMM reproducing information onto this material object. See id. Col. 13 Lns. 39-44.

Finally, the patent's single reference to point of sale location as a "consumer's home," Id. Col. 3 Lns. 66-67, does not support plaintiff's interpretation. At the point in the specification where the term "point of sale location" is used [*31] to refer to a consumer's home, the patent is not describing the Freeny invention, but rather a prior art cable television distribution system wherein a particular cable program would be delivered to a consumer's home in response to the consumer requesting that program and paying the program owner the requisite fee. Immediately following the description of this cable system, however, the Freeny patent criticizes this system for being unable to perform certain functions of the Freeny invention. See id. Col. 4 Lns. 1-8. Nowhere else in the patent is the term point of sale location used to refer to a consumer's home. Therefore, viewing the patent as a whole, and considering the purpose of the Freeny invention, the numerous references throughout the specification to "retail outlet" or "retailer" in connection with the term "point of sale location," and the context in which this single passing reference to a consumer's home as a point of sale location is made, the Court concludes that the patent does not support plaintiff's definition of "point of sale location" as either a consumer's home, personal residence, anywhere where a personal computer may be located, or the "place at which [*32] the consumer or purchaser makes the purchase."

Accordingly, the Court holds that a "point of sale location," is, at a minimum, a place--such as a retail outlet--to which a consumer travels for the purpose of purchasing material objects wherein preselected information can be reproduced, and at which blank material objects are available for sale to consumers. n9

> n9 For the sake of clarity, the Court notes that a retail store is not the only type of location that could constitute a "point of sale location" within the meaning of the Freeny patent. For example, a wholesale store satisfying the limitations of the Freeny patent claims could constitute a point of sale location. A point of sale location, however, cannot be a consumer's home.

IV. Material Object

Because there is some dispute between the parties as to what constitutes a "material object" within the meaning of the Freeny patent, and considering that the very purpose of the Freeny invention is to reproduce information in "material objects," the [*33] Court now turns to construing this term. As defined in the Freeny patent, a "material object" is "a medium or device in which information can be embodied or fixed and from which the information embodied therein can be perceived, reproduced, used or otherwise communicated, either directly or with the aid of another machine or device." Freeny Patent, Col. 4 Lns. 36-41. Immediately after defining "material object," the Freeny patent presents a nonexhaustive list of examples of material objects, including floppy disks, cassette tapes, phonograph records, 8-track tapes, reel-to-reel tapes, video discs, hand-held calculators, hand-held electronic games, greeting cards, maps, and sheet music. See id. Col. 4 Lns. 41-55.

In its Report, however, plaintiff defines "material object" as "[a] paper with printed information, or a recording on a floppy disk, hard drive, or tape etc." Report, Ex. D. Far from presenting a definition of "material object," plaintiff's Report merely provides further examples of purported "material objects." Accordingly, the Court now turns to what constitutes a "material object" under the Freeny patent.

The Court agrees with defendants that, at a minimum, a material [*34] object (1) must be removable from the IMM and for use at a location other than the point of sale location, (2) must be offered for sale as an independent and stand-alone commodity at the point of sale location, and (3) must be separate and distinct from the IMM. Regarding removability, the Freeny patent presents a method for reproducing information in material objects at a point of sale location. As described by the patent, after the IMM receives the authorization code from the ICM, the IMM decodes the requested preselected. information stored within it and then reproduces the requested information in a material object that is removed from the IMM by the consumer. Furthermore, that all of the examples of material objects presented in the patent itself, and that all those listed in plaintiff's Report but for a computer hard drive, are objects that are removable by the consumer, indicates that material objects must possess this quality. This is also buttressed by the fact that one of the purposes of the Freeny invention is to solve the problems associated with the manufacturing, distribution, and stocking of material objects.

A material object must also be offered for sale at point [*35] of sale locations as an independent and stand-alone

commodity. This requirement was touched upon previously when the Court noted that a point of sale location must be a location at which blank material objects are available for sale to consumers. That is, a material object must be offered for sale independently from the information that may be reproduced onto that material object.

Finally, and even though it is self-evident from the patent, the information-embodying material object manufactured by the IMM must be separate and distinct from the IMM. That is, the IMM is the device that reproduces the information in a material object. See, e.g., Freeny Patent, Col. 5 Lns. 21-31.

Thus, a hard drive is not a material object within the meaning of the Freeny patent because it is not removable in the sense envisioned by the Freeny patent. A hard drive is a fundamental component of a computer. Basically, a hard drive is a device that physically stores information such as data or software within the computer. And although the hard drive, literally speaking, can be removed from the computer, to do so would require the computer's disassembly. Clearly, the dismantling of the IMM is not a **[*36]** step or procedure the Freeny patent indicates a consumer must undertake in order to obtain the material object. Rather, the Freeny patent describes an invention whereby an IMM reproduces information in a material object that is then removed from the IMM by the consumer.

Furthermore, a hard drive cannot constitute a material object because pursuant to the Freeny patent an IMM is separate and distinct from the material object. In its Report, plaintiff states that a personal computer constitutes an IMM when used to download and reproduce information for a price, and, as discussed above, that a computer's hard drive can constitute a material object. See Report, Ex. D. Therefore, in this scenario, the IMM and material object would be the same device. The hard drive would be acting as an IMM because it is the software stored on the computer's hard drive along with other computer hardware such as a modem that would permit any downloading to take place. The hard drive would also be acting as the material object, however, because it is on the hard drive that any downloaded information would be stored. As described in the patent, however, the IMM is the device that reproduces information **[*37]** onto the material object. See, e.g., Freeny Patent, Col. 5 Lns. 21-31. Accordingly, a hard drive cannot constitute a material object within the meaning of the Freeny patent because the IMM must be separate and distinct from the material object.

V. Information Manufacturing Machine (IMM)

The parties also dispute the meaning of the term "IMM." As the specification and Figure 1 of the Freeny patent indicate, the IMM is comprised of four separate and distinct components: "a master file unit, a manufacturing control unit, information manufacturing unit, and the reproduction unit." Id. Col. 6 Lns. 27-30. n10 Each of these components is linked by various signal paths. See Freeny Patent, Figs. 1, 3, 4. Arrows in the figures that are part of the Freeny patent indicate the direction in which the signals flow along these signal paths. n11 As indicated by the Freeny patent specification, each of an IMM's four components performs a different function.

> n10 Figure 3 of the Freeny patent, which presents a "schematic view of the information manufacturing machine portion of the point of sale information manufacturing system shown in Fig. 1," id. Col. 4 Lns. 27-29, provides some additional details regarding three of the IMM's four components. The manufacturing control unit is comprised of a manufacturing program unit, communication modem, and an information catalog and request unit. The master file unit is comprised of a digital storage unit and a reader. Incidentally, the Court notes that Figure 3 mislabels the master file unit as 26 rather than 32. The patent specification makes clear, however, that the master file unit is comprised of these two components. See Freeny Patent, Col. 19 Lns. 55-56. The information manufacturing unit includes a digital information unit and a digital to analog converter. Finally, Figure 3 does not provide any additional details regarding the reproduction unit. **[*38]**
>
> n11 So, for example, as indicated by the direction of the arrow in Figure 1, and the specification text, output line 22 sends signals from the information manufacturing unit to the reproduction unit. See Freeny Patent, Fig. 1; Col. 5 Lns. 28-31.

A. Manufacturing Control Unit

The manufacturing control unit ("MCU") receives "request reproduction codes which include IMM codes and catalog codes" via an input line, and communicates "the received request reproduction codes" over a communication link to the ICM. Id. Col. 9 Lns. 48-53. The MCU also receives from the ICM, via a communication link, "authorization codes which include IMM codes, encoded catalog codes, encoded catalog decipher programs

and encoded authorization select codes." Id. Col. 9 Lns. 57-62.

The MCU also has a plurality "of authorization decipher programs stored therein and each authorization decipher program is uniquely identifiable via an authorization select code." Id. Col. 9 Lns. 54-57. The MCU "is constructed and adapted to decipher or decode a received encoded catalog code, encoded catalog decipher program |*39| and encoded authorization select code in accordance with one predetermined authorization decipher program." Id. Col. 9 Lns. 62-66. "After decoding the received encoded catalog code, the encoded catalog decipher program and the encoded authorization select code, the manufacturing control unit stores the authorization select code for use in deciphering the next received encoded catalog code, encoded catalog decipher program and encoded authorization select code." Id. Col. 10 Lns. 5-11. Then, the MCU sends via a signal path the decoded catalog code to the master file unit component of the IMM. See id. Col. 10 Lns. 11-14.

The MCU also must be constructed in such a way such that it can (1) "decode[] the decipher program and the file decipher from the encoded information" to be reproduced in a material object; (2) "temporarily store[] the decoded decipher program and the decoded file decipher program"; (3) decode the information that is to be reproduced in the material object; and (4) "provide the decoded information [to be reproduced in the material object] on the signal path for reception by the information manufacturing unit," a third component of the IMM. Id. Col. |*40| 10 Lns. 27-40.

Finally, after the selected information ultimately is reproduced in the material object, "the manufacturing control unit then receives the encoded information from the information manufacturing unit over the signal path and provides the encoded information on the signal path to be received by and restored in the master file unit." Id. Col. 10 Lns. 50-55.

B. Master File Unit

The master file unit ("MFU") functions as "a permanent storage unit." Id. Col. 9 Lns. 39-40. The MFU receives and then stores both the encoded information that is later reproduced in a material object and the catalog codes that uniquely identify portions of the encoded information. See id. Col. 9 Lns. 40-47. Both the encoded information and the catalog codes are transmitted from the MCU to the MFU via signal paths. See id.; see also Col. 10 Lns. 11-14. After a consumer at the point of sale location selects the information he or she wishes to have reproduced in a material object, the MFU provides this information via signal path for temporary storage in the information manufacturing unit, the third component of the IMM. See id. Col. 10 Lns. 14-21.

C. Information Manufacturing |*41| Unit

The Information Manufacturing Unit ("IMU") "temporarily store[s]" the encoded information to be reproduced in a material object after it is received via signal path from the MFU. See id. Col. 10 Lns. 14-26. The IMU also must be capable both of receiving from the MCU the decoded information to be reproduced in a material object in a digital format and of converting that information to an analog format. See id. Col. 10 Lns. 40-45. Finally, the IMU must be able to transmit via signal path the converted decoded information that is to be reproduced in a material object to the fourth component of the IMM, the reproduction unit. See id. Col. 10 Lns. 41-48.

D. Reproduction Unit

The reproduction unit is designed to "reproduce received information in a material object." Id. Col. 5 Lns. 30-31. The reproduction unit must be able "to receive the information [to be reproduced in the material object from the IMU] in an analog format [via] signal path," and then "reproduce the received information in a material object." Id. Col. 10 Lns. 45-48.

Accordingly, it is abundantly clear from the patent that these four components of an IMM are separate and distinct |*42| from one another and perform different functions. It is equally clear that the material objects located at point of sale locations and onto which the information is to be reproduced are separate and distinct from the IMM as a whole, as well as from any of the IMM's component parts.

VI. CD-ROMs

As noted previously, one of the defendants in this action is Waldenbooks, a retailer of books. In 1995, Waldenbooks sold a book entitled "Unauthorized Windows 95 Developer's Resource Kit" by Andrew Schulman. Contained on the inside of the back cover of the book is a "try-before-you-buy CD-ROM" entitled "Smash Hits for Programmers Vol. 1.1." The CD-ROM contains copies of various computer application programs that the book purchaser can try out--"test drive" per the application--if his or her computer is equipped with a CD-ROM drive. Should the book purchaser want to test drive or purchase one of the application programs, the 1-800 telephone number of the vendor of the software, "The Programmer's Shop," is provided on the book jacket. The book purchaser must call this 1-800 number in order to receive a password to "unlock" the desired program that is contained in its

entirety on the CD-ROM [*43] as purchased as part of the book from Waldenbooks. n12 Upon receiving the password, the selected program is automatically decrypted and installed from the CD-ROM onto the consumer's computer.

n12 Some programs are not contained on the CD-ROM and therefore cannot be unlocked upon entry of the password and then installed. Rather, these programs must be shipped separately to the consumer. Only those programs contained on the CD-ROM that can be unlocked are at issue here.

Because the product sold by Waldenbooks is a book containing a CD-ROM, which differs from the on-line products and services of the other defendants, the Court now examines several additional claim construction issues unique to CD-ROMs.

Plaintiff contends that Waldenbooks, by selling the book containing the CD-ROM, induces infringement of the Freeny patent. According to plaintiff's Report:

In the case of a CD-ROM having encrypted information, the source can mail or otherwise make the CD-ROM available to the consumer. Typically, the consumer [*44] contacts the source through a modem or even by telephone to obtain the authorization code for a specific file(s) on the CD-ROM. The consumer thereafter uses the computer system to enter the authorization code, with the request to reproduce a file by using the file identity (catalog code) and the request (reproduction code).

Report, Ex. C. The term "source," as used in this passage from plaintiff's Report, is defined by plaintiff as "a remotely positioned computer system such as a 'server' in modern terms." Report, Ex. C.

Again plaintiff's interpretation is simply untenable. In fact, of all of plaintiff's claim interpretations, this one is possibly the most farfetched. First, as described in the Freeny patent, the reproduction code and authorization code are separate and distinct and serve different functions. In the case of the CD-ROM described above, however, only one code is required. That is, upon calling the 1-800 number, the consumer is given a password that unlocks the encrypted program. Therefore, in the lexicon of the Freeny patent, this password acts as the authorization code. Because the Freeny invention requires both a request reproduction code and an authorization [*45] code, Claim 1 must be interpreted such that it is limited to a method wherein (1) both codes are present, (2) the request reproduction code is separate and distinct from the authorization code, and (3) each code serves a different function. Accordingly, the Freeny patent does not cover the CD-ROM described above because only one code (or password) is required to unlock the encrypted programs contained on the CD-ROM.

Second, the Freeny invention requires a request reproduction code to be received initially by an IMM and then later sent from the IMM to an ICM. The Freeny invention also requires an authorization code to be sent from an ICM to the IMM. That is, the Freeny patent describes an invention wherein two machines, an ICM and an IMM, electronically communicate with each other. A person is neither an IMM nor an ICM. In short, the Freeny patent clearly does not cover methods or apparatus wherein the consumer via a telephone call orally receives a password that permits him or her to unlock a computer application program contained on a CD-ROM that is being used in the consumer's personal computer.

CONCLUSION

In an obvious attempt to expand the scope of its patent beyond [*46] that which was intended, plaintiff implausibly asserts that its patent covers certain uses of the Internet and World Wide Web, and applies to certain CD-ROM applications. It is abundantly clear to the Court, however, that the Freeny patent claims and specification do not support plaintiff's broad interpretation.

In light of the foregoing, the Court enters the following Order adopting the following construction of the Freeny patent's claims:

1. Claims 1-56 of the Freeny patent are confined to a method, system or apparatus whereby a consumer uses an "information manufacturing machine" ("IMM") (as defined below) to reproduce in a material object (as defined below) an item of information from among a collection of catalogued information items, all of which were predelivered to and stored at the IMM. Claims 1-56 of the Freeny patent do not cover real-time transactions where the requested item of information is transmitted to the IMM at the time it is requested by the consumer.

2. The term "authorization code" as used in claims 1-56 of the Freeny patent, must, at a minimum, include a code that enables the IMM to decode the information that is to be reproduced in a material [*47] object and that was previously stored in encoded form at the IMM.

3. Claims 1-56 of the Freeny patent are confined to a

method, system or apparatus that requires both an "authorization code" and a "request reproduction code." The "authorization code" and "request reproduction code" are separate and distinct codes, and each code serves a different function.

4. Claims 1-56 of the Freeny patent are confined to a method, system or apparatus that requires the IMM to receive a "request reproduction code," transmit the "request reproduction code" to an "information control machine" ("ICM"), and receive an "authorization code" from the ICM.

5. The term "point of sale location" as used in claims 1-56 of the Freeny patent is a location that must, at a minimum, have each and every one of the following attributes:

a. It must have at least one IMM and therefore at least one device for reproducing information in material objects (a reproduction unit), and at least two blank material objects upon which preselected information stored at the IMM can be reproduced;

b. It must have available for sale to consumers, separate from the IMM, blank material objects wherein preselected **[*48]** information can be reproduced; and

c. It must be a location to which a consumer goes or travels for the purpose of purchasing material objects onto which preselected information can be reproduced.

A consumer's home is not a point of sale location within the meaning of the Freeny patent.

6. The term "material object" as used in claims 1-56 of the Freeny patent is a tangible medium or device in which information can be embodied, fixed, or stored, other than temporarily, and from which the information embodied therein can be perceived, reproduced, used or otherwise communicated, either directly or with the aid of another machine or device, that:

a. Must be offered for sale, and be purchasable, at point of sale locations where at least one IMM is located;

b. Must be offered for sale independently from the information that may be reproduced onto the material object;

c. Must be physically separate and distinct from the IMM located at a point of sale location;

d. Upon reproduction of the selected information, is removed by the consumer from the IMM located at a point of sale location; and

e. Is intended for use by the consumer of the material object **[*49]** at a location other than the point of sale location.

7. The term "information manufacturing machine" or "IMM" as used in claims 1-56 of the Freeny patent must, at a minimum, have the following four separate and distinct components: (a) a Manufacturing Control Unit, (b) a Master File Unit, (c) an Information Manufacturing Unit, and (d) a Reproduction Unit.

Also, the Master File Unit and the Reproduction Unit components of the IMM must, at a minimum, have the following attributes:

a. The Master File Unit must function as the permanent storage unit for encoded information to be reproduced in a material object and catalog codes that uniquely identify the encoded information to be reproduced in a material object. The Master File Unit cannot perform the step of "reproducing in a material object the information identified by the catalog code" at point of sale locations as set forth in claim 1 (and the claims dependent thereon), nor can it "reproduce selected information in a material object" at the point of sale location as set forth in claim 29 (and the claims dependent thereon), nor can it "reproduce the information identified by the catalog code in a material object" at **[*50]** point of sale locations, as set forth in claim 37 (and the claims dependent thereon).

b. The Reproduction Unit must receive information on a unidirectional signal path from the Information Manufacturing Unit in analog form, and reproduce the received information in at least one of two or more blank material objects located at the IMM at a point of sale location. The Reproduction Unit cannot perform the functions of the Manufacturing Control Unit, the Master File Unit, or the Information Manufacturing Unit.

SO ORDERED:

BARBARA S. JONES

UNITED STATES DISTRICT JUDGE

Dated: New York, New York

May 13, 1998